

**ASSEMBLY BILL**

**No. 1472**

**Introduced by Assembly Member Thomson**

February 28, 1997

---

---

An act to amend Sections 6591.5 and 6907 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1472, as introduced, Thomson. Taxes and fees: interest.

Existing law provides that interest is paid by taxpayers and feepayers with respect to underpayments of various taxes, surcharges, and fees at the modified adjusted rate, as defined by reference to a specified federal statute, and interest paid to taxpayers with respect to overpayments of various taxes, surcharges, and fees are determined in accordance with a specified federal statute and requires that the rate paid on overpayments be based on the rate of 13-week treasury bills, as specified.

This bill would delete the requirement that interest on overpayments be based on the rate of 13-week treasury bills and instead require that interest on both underpayments and overpayments be determined in accordance with the specified federal statute, as modified.

Existing law requires that interest on any overpayment of sales and use taxes be paid from the first day of the calendar month following the month for which the overpayment was made.

This bill would, instead, require that interest on any overpayment of sales and use taxes be paid from the last day

of the calendar month following the quarterly period for which the overpayment was made.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 6591.5 of the Revenue and  
2 Taxation Code is amended to read:

3 6591.5. (a) ~~(1) For interest required to be paid to~~  
4 ~~the state upon underpayments of tax to the state,~~  
5 ~~“modified~~ “*Modified* adjusted rate per annum” means  
6 the adjusted annual rate established pursuant to  
7 subdivision (c), plus three percentage points.

8 ~~(2) For interest required to be paid by the state upon~~  
9 ~~overpayments of tax, “modified adjusted rate per~~  
10 ~~annum” means the adjusted annual rate established~~  
11 ~~pursuant to subdivision (d).~~

12 (b) “Modified adjusted rate per month, or fraction  
13 thereof” means the modified adjusted rate per annum  
14 divided by 12.

15 (c) The rate established ~~for interest to be paid upon~~  
16 ~~underpayments of tax~~ shall be determined in accordance  
17 with the provisions of Section 6621 of the Internal  
18 Revenue Code ~~which establish the underpayment rate,~~  
19 except that ~~the~~:

20 *(1) The overpayment rate specified in Section*  
21 *6621(a)(1) of the Internal Code shall be modified to be*  
22 *equal to the underpayment rate determined under*  
23 *Section 6621(a)(2) of the Internal Revenue Code.*

24 (2) The determination specified in Section 6621(b) of  
25 the Internal Revenue Code shall be modified to be  
26 determined semiannually as follows:

27 ~~(1)~~

28 (A) The rate for January shall apply for the following  
29 July 1 to December 31, inclusive.

30 ~~(2)~~

31 (B) The rate for July shall apply for the following  
32 January 1 to June 30, inclusive.

~~(d) (1) Except as provided in paragraph (2), the rate established for interest to be paid by the state upon overpayments of tax shall be equal to the bond equivalent rate of 13-week treasury bills auctioned, rounded to the nearest full percent (or if a multiple of one-half of 1 percent, the rate shall be increased to the next highest full percent), as follows:~~

~~(A) The bond equivalent rate of 13-week treasury bills established at the first auction held during the month of January shall apply for the following July 1 to December 31, inclusive.~~

~~(B) The bond equivalent rate of 13-week treasury bills established at the first auction held during the month of July shall apply for the following January 1 to June 30, inclusive.~~

~~(2) For the period July 1, 1991, through June 30, 1992, the rate to be paid by the state upon overpayments of tax shall be equal to the bond equivalent rate of 13-week treasury bills established at the auction held on July 1, 1991, rounded to the nearest full percent (or if a multiple of one-half of 1 percent, the rate shall be increased to the next highest full percent).~~

~~(e) For purposes of this part, and any other provision of law referencing this method of computation, in computing the amount of any interest required to be paid by the state or by the taxpayer, or any other amount determined by reference to that amount of interest, that interest and that amount shall be computed as simple interest, not compound interest.~~

SEC. 2. Section 6907 of the Revenue and Taxation Code is amended to read:

6907. Interest shall be paid upon any overpayment of any amount of tax at the modified adjusted rate per month established pursuant to Section 6591.5, from the ~~first last~~ day of the calendar month following the ~~month~~ *during quarterly period* for which the overpayment was made. ~~In addition, a~~ *However, no* refund or credit shall be made of any interest imposed upon the person making the overpayment with respect to the amount being refunded or credited.

1 The interest shall be paid:

2 (a) In the case of a refund, to the last day of the  
3 calendar month following the date upon which the  
4 person making the overpayment, if he or she has not  
5 already filed a claim, is notified by the board that a claim  
6 may be filed or the date upon which the claim is approved  
7 by the board, whichever date is the earlier.  
8 (b) In the case of a credit, to the same date as that to  
9 which interest is computed on the tax or amount against  
10 which the credit is applied.

O

